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COLUMBIA, SOUTH CAROLINA

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**ELECTRONICALLY FILED &  
HAND DELIVERED ORIGINAL**

Mr. Charles Terreni  
Chief Clerk of the Commission  
Public Service Commission of South Carolina  
Synergy Business Park, Saluda Building  
101 Executive Center Drive  
Columbia, SC 29210

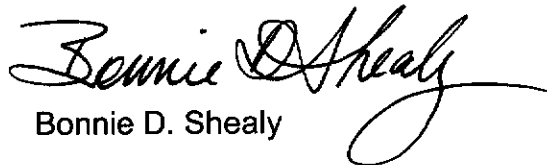
**Re: STi PrePaid, LLC & Dialaround Enterprises  
Docket No. 2007-75-C  
Our File No. 30323-0001**

Dear Mr. Terreni:

Enclosed for filing please find the Testimony of Jeffrey K. Storey on behalf of STi Prepaid, LLC. By copy of this letter we are serving the same on parties of record. Please date-stamp the extra copies of the testimony as proof of filing and return them with our courier. If you have any questions, please have someone on your staff contact me.

Very truly yours,

ROBINSON, MCFADDEN & MOORE, P.C.

  
Bonnie D. Shealy

/bds  
Enclosure

cc/enc: Mr. Jeffrey K. Storey  
Angela F. Collins, Esquire (via email)  
C. Lessie Hammonds, ORS Staff Attorney (via email & U.S. Mail)  
F. David Butler, PSC Hearing Examiner (via email & U.S. Mail)

*This document is an exact duplicate, with the exception of  
the form of the signature, of the e-filed copy submitted to the  
Commission in accordance with its electronic filing instructions.*

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**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**DOCKET NO. 2007-75-C**

**In re: Application of STi Prepaid, LLC            )  
For a Certificate of Public Convenience        )  
and Necessity to Provide Interexchange        )  
Telecommunications Services, for                )  
Alternative Regulation, and for Authority       )  
To Acquire Certain Assets of                    )  
Dialaround Enterprises Inc.                    )**

**TESTIMONY OF JEFFREY K. STOREY**

*This document is an exact duplicate, with the exception of  
the form of the signature, of the e-filed copy submitted to the  
Commission in accordance with its electronic filing instructions.*

1    **I.    INTRODUCTION**

2    **Q.    Please state your name and business address.**

3    **A.**    My name is Jeffrey K. Storey and my business address is One Technology  
4           Center, Suite 300, Tulsa, Oklahoma, 74103.

5    **Q.    By whom are you employed and in what capacity?**

6    **A.**    I am the Acting President of STi Prepaid, LLC ("STi Prepaid") and I also sit on the  
7           Board of Directors of STi Prepaid.

8    **Q.    Please give a brief description of your background and experience in**  
9           **business and telecommunications.**

10   **A.**    Previously, I was the President and Chief Executive Officer of WilTel  
11           Communications LLC ("WilTel"), a provider of voice, data, video, and IP services  
12           to enterprises, carriers, and the federal government. Until it was purchased by  
13           another company in late 2005, WilTel's majority owner was Leucadia National  
14           Corporation ("Leucadia"), which is the ultimate majority owner of STi Prepaid.  
15           Prior to my position as President and Chief Executive Officer at WilTel, I also  
16           held positions of Executive Director, Vice President, Senior Vice President for  
17           Network, and Vice President of Access Services for WilTel and its predecessor  
18           Williams Communications. Before joining WilTel, I was the Vice President for  
19           Commercial Broadband Services - Video, Voice and Data for Cox  
20           Communications, and before that, I held a variety of engineering, network  
21           planning, and research positions with SBC Communications (now known as  
22           AT&T). I have a master's degree in telecommunications systems from Southern

1 Methodist University, and a bachelor's degree in engineering physics and  
2 mathematics from Northeastern State University.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is to describe the nature of STi Prepaid's proposed  
5 service offerings within the State of South Carolina, and to demonstrate its  
6 financial, managerial, and technical ability to provide the telecommunications  
7 services for which authority is sought herein. The purpose of my testimony is  
8 also to describe the proposed transaction between STi Prepaid and Dialaround  
9 Enterprises Inc. ("DEI").

10 **Q. Do you intend to incorporate by reference any documents into your**  
11 **testimony?**

12 A. Yes. I wish to incorporate by reference the underlying Application filed in this  
13 proceeding and its associated exhibits and the letter filed with the Commission  
14 today concerning the adoption of fictitious names.

15 **II. THE BUSINESS OF STi PREPAID**

16 **Q. Has STi Prepaid registered to do business in South Carolina?**

17 A. Yes. STi Prepaid is a limited liability company organized in the State of Delaware  
18 and has been authorized to transact business within the State of South Carolina.  
19 Copies of the qualifying documents are attached to the Application as Exhibits A  
20 and B.

21 **Q. Please describe the services STi Prepaid intends to provide within the**  
22 **State of South Carolina.**

1 A. STi Prepaid seeks authority to operate as a reseller of intrastate interexchange  
2 telecommunications services to the public on a statewide basis and to offer a full  
3 range of "1+" interexchange telecommunications services on a resale basis to  
4 both business and residential customers. Specifically, STi Prepaid will provide  
5 prepaid calling card services and dial-around services. STi Prepaid will provide  
6 its dial-around services in the same manner as these telecommunications  
7 services are currently offered by DEI in South Carolina.

8 **Q. What carrier will STi Prepaid utilize as its underlying carrier for services in**  
9 **South Carolina?**

10 A. STi Prepaid will offer service to consumers using facilities of the communications  
11 networks of MCI, AT&T, Sprint, Global Crossing, other facilities-based IXC's, and  
12 the local exchange telephone companies operating in the state of South  
13 Carolina.

14 **Q. Is STi Prepaid currently authorized to provide intrastate**  
15 **telecommunications services in any other states?**

16 A. As of April 1, 2007, STi Prepaid has been authorized to provide  
17 telecommunications services in the following jurisdictions: Colorado,  
18 Connecticut, Florida, Idaho, Iowa, Kentucky, Massachusetts, Michigan, Montana,  
19 New Hampshire, North Carolina, Texas, Utah, Vermont, Wisconsin, Washington,  
20 and Wyoming STi Prepaid is in the process of seeking authority in all fifty states  
21 and the District of Columbia.

22 **Q. Does STi Prepaid intend to file a tariff with the Commission?**

1 A. STi Prepaid will adopt DEI's South Carolina intrastate tariff and continue to offer  
2 services at the same rates, terms, and conditions as were previously offered by  
3 DEI.

4 **Q. Will STi Prepaid comply with the Commission's orders regarding the resale**  
5 **of interexchange carrier services?**

6 A. Yes, STi Prepaid will at all times provide and market interexchange carrier  
7 services in accordance with current Commission policies. In addition, STi  
8 Prepaid will at all times provide interstate services in compliance with all FCC  
9 rules and regulations.

10 **Q. Has STi Prepaid provided any intrastate telecommunications services**  
11 **within the State of South Carolina?**

12 A. No, STi Prepaid has not provided any intrastate telecommunications services  
13 within South Carolina.

14 **Q. What rates will STi Prepaid charge upon receipt of certification?**

15 A. STi Prepaid will charge the tariffed rates approved by the Commission for DEI.

16 **Q. How will STi Prepaid market services in South Carolina?**

17 A. STi Prepaid will continue to market its dial-around services in the same manner  
18 as the services were marketed by DEI and will market its prepaid calling cards  
19 through various vendors and distributors.

20 **Q. What regulatory treatment is STi Prepaid seeking in this Application for its**  
21 **long distance business service and consumer card service offerings?**

22 A. STi Prepaid requests that all of its business service offerings be regulated  
23 pursuant to the procedures described and set out in Docket No. 95-661-C and as

1 modified by Order No. 2001-997-C in Docket No. 2000-407-C. It is STi Prepaid's  
2 intent by this request to have its long distance business services and consumer  
3 card services regulated in the same manner as this Commission has permitted  
4 for by AT&T Communications of the Southern States. Specifically, STi Prepaid  
5 requests:

6 (a) removal of maximum rate tariff requirements for its business services  
7 and consumer card offerings;

8 (b) that tariff filings for these uncapped offerings be presumed valid upon  
9 filing and if the Commission institutes an investigation of a particular  
10 filing within seven days, the tariff filing be suspended until further  
11 order of the Commission; and

12 (c) any relaxation in the reporting requirements that may be adopted for  
13 AT&T or other similarly-situated interexchange carriers shall also  
14 apply to STi Prepaid.

15 Q. **Will STi Prepaid's services meet the service standards of the Commission?**

16 A. Yes, the services STi Prepaid intends to provide will meet the service standards  
17 established by the Commission to the extent that those service standards apply  
18 to the services offered by STi Prepaid in South Carolina.

19 **III. MANAGERIAL, TECHNICAL, AND FINANCIAL QUALIFICATIONS**

20 Q. **Does STi Prepaid have sufficient managerial, technical, and financial**  
21 **resources and ability to provide the telecommunications services proposed**  
22 **in its Application?**

23 A. Yes. STi Prepaid is financially qualified to provide its proposed  
24 telecommunications services. The financial statements of Leucadia, STi

1 Prepaid's ultimate majority owner and a publicly traded company, are attached as  
2 Exhibits 4-8 of STi Prepaid's Application. STi Prepaid also has the technical and  
3 managerial resources necessary to provide high quality services in South  
4 Carolina. STi Prepaid will utilize a significant number of the same employees  
5 and the same assets that DEI currently uses to provide telecommunications  
6 services in South Carolina and therefore it will be well positioned to provide the  
7 same quality services that DEI currently provides in the State. In addition, the  
8 proposed transaction will allow STi Prepaid to benefit from the management and  
9 industry expertise of Leucadia, which previously has managed numerous other  
10 providers of telecommunications services through various subsidiaries. The  
11 biographies of STi Prepaid's senior management team who will oversee the day-  
12 to-day operations of STi Prepaid are attached as Exhibit 3 to STi Prepaid's  
13 Application.

14 **Q. How does STi Prepaid handle customer service requests?**

15 A. STi Prepaid will handle customer service requests in the same efficient manner  
16 as customer service requests are presently handled by DEI. Customers may  
17 contact the company at its toll free customer service number 1-888-784-8750.  
18 Customer service representatives are available from 9:00 a.m. to 9 p.m. Monday  
19 through Friday for normal billing and service questions. For cardholders  
20 subscribing to the Prepaid Calling Service or travel card service, the toll-free  
21 number is printed on the card. For customers subscribing to all other services,  
22 the toll free number is printed on the customer's bill.

23 **Q. Please describe the financial condition of STi Prepaid.**



1 A. The assets of DEI will be transferred to STi Prepaid as part of the transaction  
2 described in STi Prepaid's Application and discussed further below. As an  
3 affiliate of Leucadia, a publicly traded company, STi Prepaid will have access to  
4 the public capital markets that can provide support for the expansion of the  
5 services currently offered by DEI.

6 **Q. How will residents of South Carolina benefit from STi Prepaid's services**  
7 **and presence in South Carolina?**

8 A. Consumers will benefit from the high quality and variety of competitive  
9 interexchange telecommunications services offered by STi Prepaid. In addition,  
10 the increased competition resulting from the presence of STi Prepaid provides  
11 downward price pressure on other providers competing in the interexchange  
12 telecommunications market of South Carolina.

13 **Q. Why is the company seeking an exemption from the requirement that it**  
14 **maintain records in South Carolina?**

15 A. STi Prepaid requests a waiver of the requirements of 26 S.C. Reg. 103-610 that  
16 a carrier keep all records required by the Commission's rules and regulations  
17 within the State of South Carolina. Since the company's corporate offices are in  
18 New York, maintaining its books and records in South Carolina would be unduly  
19 burdensome. STi Prepaid will have a registered agent in South Carolina and will  
20 bear any costs associated with the Commission's inspection of its books and  
21 records. STi Prepaid also seeks an exemption for any policies that might require  
22 it to maintain its financial records in conformance with the Uniform System of  
23 Accounts. As a competitive carrier, STi Prepaid maintains its books in

1 accordance with Generally Accepted Accounting Principles and therefore, does  
2 not possess the detailed cost data required by USOA.

3 **IV. ACQUISITION OF ASSETS OF DEI**

4 **Q. Please briefly describe the Applicants' corporate structure.**

5 A. STi Prepaid, a Delaware limited liability company, is an indirect subsidiary of  
6 Leucadia, a publicly traded New York corporation with headquarters at 315 Park  
7 Avenue South, New York, NY 10010. DEI is a privately-held corporation  
8 organized under the laws of the State of Delaware. The Commission authorized  
9 DEI to resell various telecommunications in Docket No. 2003-20-C, Order No.  
10 2003-478, on August 11, 2003. DEI currently provides dial-around services  
11 pursuant to its authorization in South Carolina. DEI's headquarters are located at  
12 30-50 Whitestone Expressway, 4th Floor, Flushing, New York 11354. Samer  
13 Tawfik, a United States citizen, is DEI's sole owner.

14 **Q. Please describe the Applicants' relationship with its parent corporation.**

15 A. STi Prepaid is an indirect wholly owned subsidiary of Leucadia. DEI has no  
16 parent corporation.

17 **Q. Can you briefly outline the asset acquisition for which the Applicants seek**  
18 **Commission approval?**

19 A. Pursuant to the terms of an Asset Purchase and Contribution Agreement  
20 ("Agreement") between DEI and its respective individual owners and corporate  
21 parents ("Sellers") and STi Prepaid dated January 23, 2007, DEI agreed to  
22 transfer all or substantially all of its assets to STi Prepaid (the "Transaction").  
23 Pursuant to the terms of the Agreement, STi Prepaid will purchase seventy-five

1 percent (75%) of the assets and assume seventy-five percent (75%) of the  
2 Seller's liabilities. The remaining twenty-five (25%) of STi Prepaid will be held by  
3 Samer Tawfik through a new limited liability, ST Finance, LLC ("ST Finance"). A  
4 diagram showing the Transaction and pre-and post-close corporate structure is  
5 provided in Exhibit 9 to the Application.

6 **Q. What will the result of these transactions be?**

7 A. STi Prepaid will obtain the telecommunications assets and operations of DEI in  
8 the State of South Carolina and all other states in which DEI operates.

9 **Q. What impact will this transaction have on South Carolina consumers?**

10 A. Consumers will continue to receive competitively priced, quality, affordable  
11 telecommunications services that they presently receive from DEI. STi Prepaid  
12 will file a tariff to establish rates, terms, and conditions identical to those in DEI's  
13 tariffs, thus providing a seamless transition for consumers using DEI's services.  
14 The transaction will be virtually transparent to consumers in terms of the services  
15 that they receive. In addition, indicated in correspondence filed earlier today  
16 with the Commission STi Prepaid requests to be allowed to operate under the  
17 fictitious names of "Telco Group," "Telco," "TGI," "Dialaround Enterprises,"  
18 "Dialaround," "DEI," "VOIP Enterprises," and "VOIP." Thus, the Transaction will  
19 be transparent to any consumers using DEI's dial-around services.

20 **Q. What notice will STi Prepaid provide to South Carolina customers?**

21 A. Customer notice is not required in this case because DEI does not have a  
22 dedicated customer base. DEI's services can be used by any person at any time  
23 by dialing a specified access code prior to making a telephone call. DEI has no

1 knowledge of the identity of the persons that utilize its dial-around services, and  
2 has no relationship with the person utilizing the dial-around code. Accordingly,  
3 customer notification of this Transaction is unnecessary and would be almost  
4 impossible.

5 **Q. What do the Applicants propose to do with any tariffs on file with the**  
6 **Commission?**

7 A. STi Prepaid will adopt the tariffs of DEI. Upon completion of the Transaction and  
8 STi Prepaid receiving the requisite authority from the Commission, DEI will  
9 cancel any tariffs on file with the Commission and surrender its  
10 telecommunications authorizations in South Carolina.

11 **Q. How is approval of these transactions in the public interest?**

12 A. In addition to the consumer benefits resulting from increased competition from  
13 STi Prepaid, the proposed Transaction furthers the public interest, convenience,  
14 and necessity. The transfer of DEI's assets to STi Prepaid will benefit  
15 consumers by ensuring that consumers continue to have a wide range of  
16 telecommunications choices in the long distance market. As an affiliate of  
17 Leucadia, a publicly traded company, STi Prepaid will have access to the public  
18 capital markets that can provide support for the expansion of the services  
19 currently offered by DEI. STi Prepaid will benefit from DEI's experience providing  
20 telecommunications services, which will be further enhanced through STi  
21 Prepaid's access to the telecommunications expertise of Leucadia, which  
22 previously has managed numerous other providers of telecommunications  
23 services through various subsidiaries. The combination of existing technical

1           experience at DEI and the financial backing of Leucadia will enhance STi  
2           Prepaid's ability to efficiently provide and expand its services.

3   **Q.   Does this conclude your testimony?**

4   A.   Yes. I would like to thank the Commission for this opportunity to provide  
5       information relevant to STi Prepaid's Application and am ready to provide any  
6       additional information or answer any additional questions that the Commission  
7       may need in making its decision.

**BEFORE  
THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA  
DOCKET NO. 2007-75-C**

**In Re:**

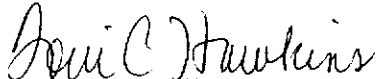
<b>Application of STi Prepaid, LLC</b>	:	
<b>For a Certificate of Public Convenience</b>	:	
<b>And Necessity to Provide Interexchange</b>	:	
<b>Telecommunications Services and for</b>	:	
<b>Alternative Regulation,</b>	:	
	:	
<b>and</b>	:	<b>CERTIFICATE OF SERVICE</b>
	:	
<b>Joint Application of STi Prepaid, LLC</b>	:	
<b>and Dialaround Enterprises Inc.</b>	:	
<b>for Approval to Transfer the Assets of</b>	:	
<b>Dialaround Enterprises Inc.</b>	:	
<b>to STi Prepaid, LLC</b>	:	

This is to certify that I, Toni C. Hawkins, a paralegal with the law firm of Robinson, McFadden & Moore, P.C., have this day caused to be served upon the person(s) named below the **Testimony of Jeffrey K. Storey on behalf of STi Prepaid, LLC** in the foregoing matter by placing a copy of same in the United States Mail, postage prepaid, in an envelope addressed as follows:

F. David Butler, Esquire  
Hearing Examiner  
Public Service Commission of South Carolina  
P.O. Box 11649  
Columbia, SC 29211

C. Lessie Hammonds, Esquire  
Office of Regulatory Staff  
P.O. Box 11263  
Columbia, SC 29211

Dated at Columbia, South Carolina this 23rd day of April, 2007.

  
\_\_\_\_\_  
Toni C. Hawkins